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SUBJECT: TURKMENISTAN: MINISTRY OF ECONOMY AND FINANCE MISSES BOAT
WITH COOLNESS TO INVESTOR'S ROADMAP PROPOSAL

REF: A) ASHGABAT 729

B) ASHGABAT 864 (Sullivan-Jeparov)

11. (U) Sensitive but unclassified. Not for public Internet.

12. (SBU) SUMMARY: Despite earlier expressions of interest in a USAID proposal to develop an Investor's Roadmap to improve Turkmenistan's investment climate, the Ministry of Economy and Finance (MOEF) is unwilling to commit to USG technical assistance in this area. Previously, MOEF experts said a heavy workload and the need to wait for a long-delayed EU-TACIS program to begin were preventing a decision on the Roadmap. The most recent explanation is that the Minister won't consider USAID's proposal until the Ministry develops its own draft strategy for improving the investment climate. Given the lack of expertise regarding international best practices, the Ministry may be missing an important opportunity regarding economic reforms since the roadmap exercise could provide valuable input to the existing task of preparing a draft strategy. END SUMMARY.

ACKNOWLEDGED NEED TO IMPROVE INVESTMENT CLIMATE

13. (SBU) During meetings this summer with various USG delegations (reftel), First Deputy Economy and Finance Minister Tuwakmamet Jeparov acknowledged the importance of an attractive business climate. In response, USAID submitted a proposal in August to cooperate with the Ministry in an Investor's Roadmap exercise, and in mid-September submitted a sample Investor's Roadmap report from Kazakhstan in response to the Ministry's direct request.

14. (SBU) USAID has supported the Investor's Roadmap process in numerous countries around the world. The Investor's Roadmap is an analytical methodology that spells out the step-by-step requirements an investor or entrepreneur must satisfy in order to become operational in full compliance with all laws, regulations, procedures, and institutional practices. The approach can be applied to many different kinds of investors, including, for

example, to focus on the steps required for: converting from informal to formal status for micro-enterprises; stimulating direct foreign investment; and improving investment to specific sectors, such as health care providers, non-traditional horticulture producers, and different regions of the country. The approach proposed by USAID was specifically targeted to identify the key factors affecting direct foreign investment.

RELUCTANCE TO COMMIT -- OR DESIRE TO FOLLOW ITS OWN PATH?

15. (SBU) Although interactions at the working-level have become somewhat more cordial, repeated phone calls to Ministry specialists beginning just after the proposal's submission have yielded mixed indications with regard to interest in the exercise. In a November 14 telephone inquiry from a USAID project management specialist, the MOEF department head familiar with the proposal stated that the recent IMF delegation and the need to develop new exchange rate policies were more pressing issues. A follow-up phone call on November 20 provided no clearer answer, since key specialists reportedly had traveled to Brussels to participate in the bidding process for the upcoming EU-TACIS economic reform program. The MOEF advised, however, that she had brought this issue to the attention of the Minister, who reportedly told her that he wouldn't consider the roadmap proposal until the Ministry's own specialists developed their own draft strategy for improving the investment climate. Only after that could they determine whether the proposal would move forward.

16. (SBU) COMMENT: While the Ministry might desire to work on its own proposal, a key question is whether it actually has staff with sufficient knowledge of international best practices to prevent them from implementing changes that do not actually improve the situation. The Investor Roadmap exercise is a tool that looks at existing regulations and laws and identifies - from the perspective

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of an investor - the changes that might help improve the investment climate. As a result, it could provide valuable input to the pressing task of preparing a draft strategy of investment climate improvement. END COMMENT.

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